

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of McBain</b>	County <b>Missaukee</b>
Audit Date <b>4/30/05</b>	Opinion Date <b>5/27/05</b>	Date Accountant Report Submitted to State: <b>September 27, 2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

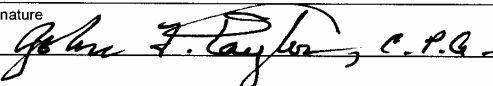
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter &amp; Bishop, P.C.</b>			
Street Address <b>134 W. Harris Street</b>		City <b>Cadillac</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49601</b>	Date <b>9/26/05</b>

**CITY OF MCBAIN, MICHIGAN**

**APRIL 30, 2005**

CITY OF MCBAIN, MICHIGAN

APRIL 30, 2005

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# *Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2005

## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
City of McBain, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McBain, Michigan, as of and for the year ended April 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of McBain, Michigan, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of May 1, 2004.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McBain Michigan, as of April 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iii through xiii and 30, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of McBain, Michigan, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, other supplementary information and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

CITY OF MCBAIN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED APRIL 30, 2005

**Management's Discussion and Analysis**

The management of the City of McBain, Michigan ("the City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2005 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the City's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

**Financial Highlights**

**Government-Wide**

- ❖ The assets of the City exceeded its liabilities at the close of this fiscal year by \$4,028,337 (shown as *Net Assets*), representing a decrease of \$52,278 from the previous fiscal year. Governmental Funds had an \$18,340 increase, while Business-Type activities had a \$70,618 decrease.

**Fund Level Financial Highlights**

- ❖ As of April 30, 2005, the governmental funds of the City of McBain reported combined ending fund balances of \$346,925, of which \$334,679 was unreserved and undesignated.
- ❖ The unreserved fund balance of the City's General Fund increased this year to \$209,864, or 78.45% of total General Fund expenditures.

**Long-Term Debt**

- ❖ The City of McBain's total debt decreased by \$57,100 during the fiscal year.

**Overview of the Financial Statements**

The City of McBain's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the City's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the City as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Pages 1-2) presents information on all of the City's assets and liabilities, the difference between the two being reported as the Net Assets of the City. Over



CITY OF MCBAIN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED APRIL 30, 2005

time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the City is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the City include water and sewer utility services.

### **Focus on Funds**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The City's major Governmental Funds include the General Fund, Major Street Fund, and Local Street Fund. The major Proprietary Funds include the Water Fund and Sewer Fund.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The City of McBain uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** Many of the City's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual basis of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the City include the General Fund as well as the special revenue and capital project funds.

CITY OF MCBAIN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED APRIL 30, 2005

***Proprietary Funds*** Proprietary funds account for services for which the City charges its customers for the services they are provided. These charges can be to external customers or other agencies within the City. There are two types of proprietary funds:

- Enterprise funds are used to report business-like activities of the City. These activities intend to recover the full cost of the services through the fee charged to the customers. The City has two enterprise funds, which are the Water Fund and Sewer Fund.
- Internal Service funds are the second type of proprietary funds. These funds provide services to other departments within the City. The City does not maintain any internal service funds.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the City's programs. These funds are accounted for using the full accrual method of accounting, much like the Proprietary funds.

***Component Units*** The City's financial report includes reporting on separate legal entities for which the City has some level of financial responsibility. These funds are shown in a separate column. The City's component units include the Downtown Development Authority and the Tax Increment Finance Authority.

### **Notes to the Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on Page 15 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found on Page 30 of this report.

### **Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the City's financial position over time. The Net Assets of the City are \$4,028,337 at April 30, 2005, meaning that the City's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A

CITY OF MCBAIN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED APRIL 30, 2005

comparison with the previous fiscal year will be presented in the future as that data becomes available.

*City of McBain*  
*Net Assets*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
Current and Other Assets	\$ 360,339	\$ 242,484	\$ 602,823
Capital Assets	2,149,342	1,432,905	3,582,247
<b>Total Assets</b>	<b>\$ 2,509,681</b>	<b>\$ 1,675,389</b>	<b>\$ 4,185,070</b>
Current and Other Liabilities	\$ 13,258	\$ 13,619	\$ 26,877
Long-Term Liabilities	76,856	53,000	129,856
<b>Total Liabilities</b>	<b>\$ 90,114</b>	<b>\$ 66,619</b>	<b>\$ 156,733</b>
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	\$ 2,072,486	\$ 1,368,905	\$ 3,441,391
Restricted	0	40,053	40,053
Unrestricted	347,081	199,812	546,893
	<b>\$ 2,419,567</b>	<b>\$ 1,608,770</b>	<b>\$ 4,028,337</b>

The most significant portion of the City's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the City used to acquire or construct the asset. The City has \$546,893 in unrestricted net assets. These assets represent resources that are available for appropriation.

The total net assets of the City decreased \$52,278 in this fiscal year, which is an indicator that the City experienced negative financial growth during the year. As a result, the City ended the fiscal year in slightly worse condition than when the year started.

The following table summarizes the results of the changes in the Net Assets for the City. The condensed information was derived from the Government-wide Statement of Activities.

CITY OF MCBAIN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED APRIL 30, 2005

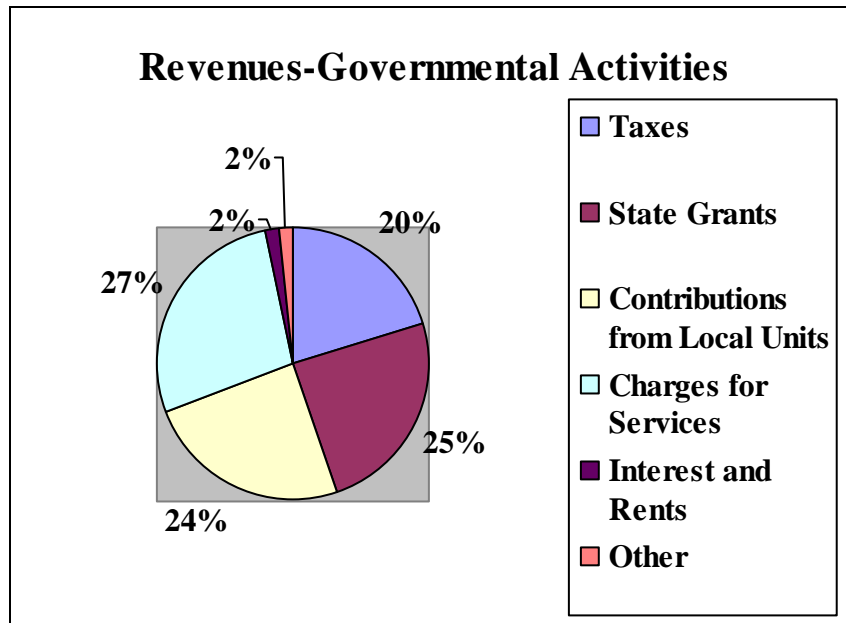
*City of McBain*  
*Change in Net Assets*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
<b><u>Revenues</u></b>			
<b>Program Revenues</b>			
Charges for Services	\$ 139,749	\$ 64,741	\$ 204,490
Operating Grants and Contributions	84,284	860	85,144
Capital Grants	41,466	0	41,466
<b>General Revenues</b>			
Property Taxes and Assessments	102,976	10,425	113,401
State Shared Revenue	55,259	0	55,259
Contributions from Local Units	68,650	0	68,650
Unrestricted Investment Earnings	3,505	2,812	6,317
Other	13,813	2,765	16,578
<b>Total Revenues</b>	<b>\$ 509,702</b>	<b>\$ 81,603</b>	<b>\$ 591,305</b>
<b><u>Expenses</u></b>			
Legislative	\$ 3,350	\$ 0	\$ 3,350
General Government	156,139	0	156,139
Public Safety	61,859	0	61,859
Public Works	156,238	0	156,238
Planning	10,415	0	10,415
Recreation and Culture	17,164	0	17,164
Economic Development/Assistance	250	0	250
Capital Outlay	6,495	0	6,495
Interest on Long-Term Debt	3,403	0	3,403
Water and Sewer	0	152,221	152,221
Other Functions	67,571	0	67,571
Unallocated Depreciation	8,478	0	8,478
<b>Total Expenses</b>	<b>\$ 491,362</b>	<b>\$ 152,221</b>	<b>\$ 643,583</b>
Increase (Decrease) in Net Assets	\$ 18,340	\$ (70,618)	\$ (52,278)
Beginning Net Assets	2,401,227	1,679,388	4,080,615
Ending Net Assets	<b>\$ 2,419,567</b>	<b>\$ 1,608,770</b>	<b>\$ 4,028,337</b>

CITY OF MCBAIN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED APRIL 30, 2005

**Governmental Activities**

The following chart details the revenue sources for the governmental activities of the City for the fiscal year ended April 30, 2005:



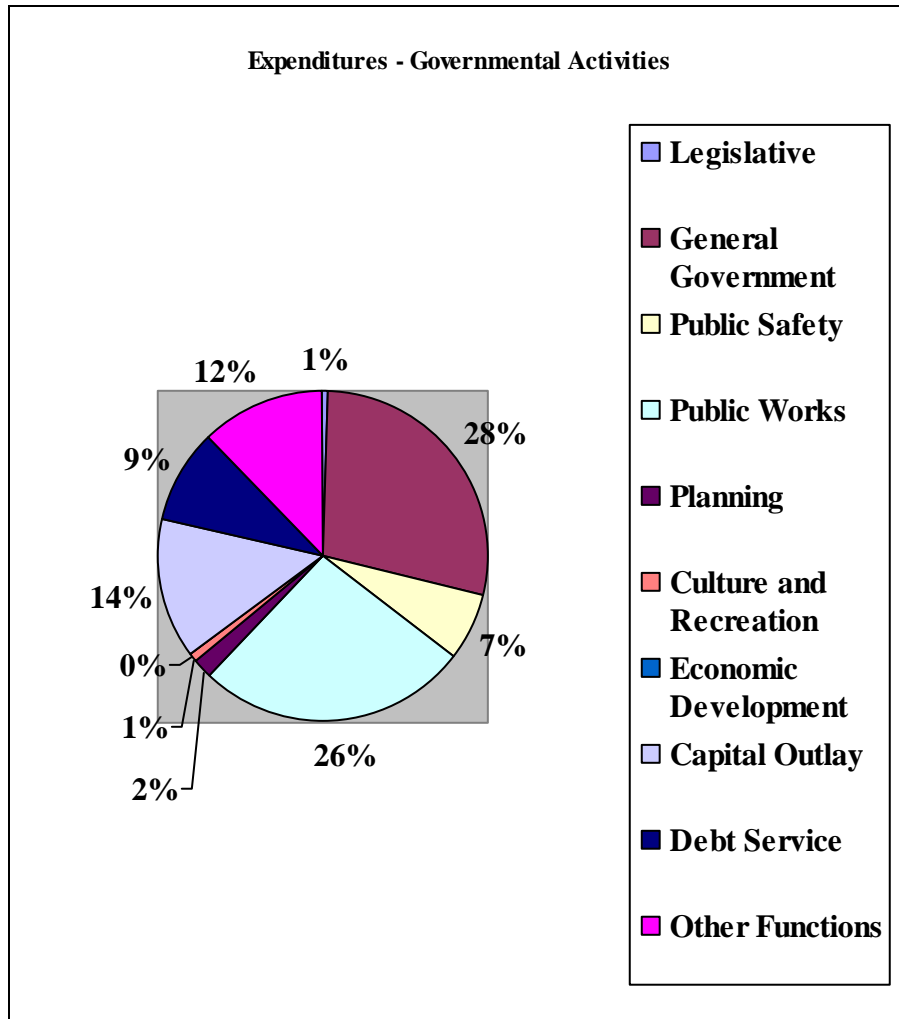
The most significant portion of the revenue for all governmental activities of the City of McBain comes from Charges for Services (27%). This figure includes General Fund charges to other funds and component units for labor and equipment usage.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2005, the amount of state shared revenue received by the City once again trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

Capital Grants represents local grant dollars that the City has received for the purchase of new fire fighting equipment.

CITY OF MCBAIN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED APRIL 30, 2005

The following chart depicts expenses of the governmental activities of the City for the fiscal year ended April 30, 2005:



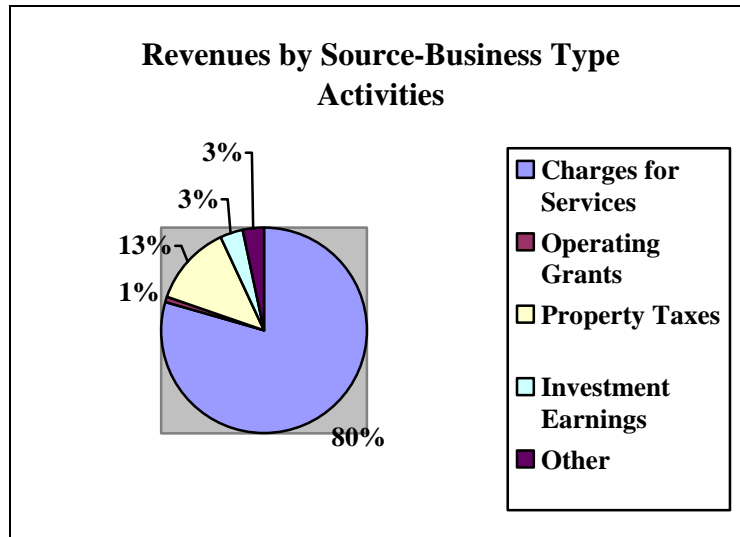
The City's governmental activities expenses are dominated by the General Government expenses that total 28% of total expenses. The City spent \$156,139 in FY2005 on General Government. Public Works represented the next largest expense at \$146,552, or 26% of total expenses within the governmental activities. Expenses in the Major Street Fund (\$80,542) and Local Street Fund (\$20,836) represent a majority of the Public Works expenditures.

### **Business-Type Activities**

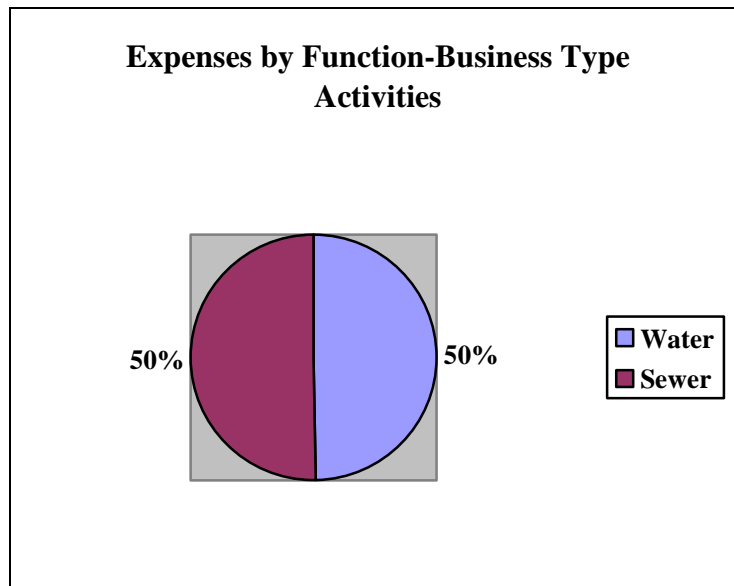
The following charts illustrate the revenue and expense activity within the City's business-type activities. These activities accounted for a decrease of \$70,618 in the City's Net Assets, or 135% of the net decrease in the City's net assets for the fiscal year ended April 30, 2005.

CITY OF MCBAIN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED APRIL 30, 2005

The Business-type activities of the City include the Water Fund and Sewer Fund, which provide water and sewer utility services to City residents as well as commercial customers.



The Water and Sewer activities represent all of the business-type activities of the City.



**Financial Analysis of the Government's Funds**

***Governmental Activities*** – At the completion of the City's fiscal year ended April 30, 2005, its governmental funds reported fund balances of \$346,925. Of this amount, 100% is unreserved. This amount includes \$12,246 designated for city hall equipment.

CITY OF MCBAIN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED APRIL 30, 2005

**General Fund** – The General Fund is the main operating fund of the City. The General Fund increased its fund balance in this fiscal year by \$16,719, bringing the balance to \$209,864. All of the General Fund's functions ended the year with expenditures below appropriated amounts.

**Major Street Fund** – The Major Street Fund completed \$43,316 in street improvements in this fiscal year. The fund balance of the Major Street Fund ended the year at \$31,748. This was a reduction of \$39,333 from the previous year. The City used funds accumulated from previous years in order to complete this year's projects.

**Local Street Fund** – The Local Street Fund completed \$4,756 in street construction and improvements in this fiscal year. The fund balance of this fund is at \$20,806.

**Proprietary Funds** The City's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

**Water Fund** – The Water Fund ended this fiscal year with \$116,365 in unrestricted net assets. Operating revenues increased from \$31,137, in 2004 to \$32,280, a 3.54% increase. This fund experienced an increase in interest income of \$120, or 12.9% from the previous fiscal year. The net assets of the fund decreased by \$35,356, in 2005. This fund has no long-term debt and remains in sound fiscal condition moving forward.

**Sewer Fund** – The Sewer Fund ended this fiscal year with \$83,447 in unrestricted net assets. Operating revenues increased from \$31,277, in 2004 to \$32,461, a 3.78% increase. The net assets of the fund decreased by \$35,262, in 2005.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for the governmental and business-type activities as of April 30, 2005 amounted to \$3,582,247 (net of accumulated depreciation). Capital assets of the City include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The City has invested in a broad range of capital assets, as detailed below:



CITY OF MCBAIN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED APRIL 30, 2005

*City of McBain*  
*Capital Assets as of April 30, 2005*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
Land and Land Improvements	\$ 697,033	\$ 88,703	\$ 785,736
Infrastructure	940,379	0	940,379
Buildings	462,241	67,921	530,162
Improvements Other Than Buildings	0	2,768,875	2,768,875
Machinery and Equipment	892,120	122,469	1,014,589
Total Assets	\$ 2,991,773	\$ 3,047,968	\$ 6,039,741
Less Accumulated Depreciation	842,431	1,615,063	2,457,494
Fixed Assets, Net of Depreciation	\$ 2,149,342	\$ 1,432,905	\$ 3,582,247

Major capital asset events during FY2005 included the following:

- New mowers for the public works department at a total cost of \$26,500.
- A hazmat truck for the fire department at a total cost of \$53,165
- Street construction projects totaling \$48,081.
- A new irrigation system for the Sewer Fund at a total cost of \$33,364.

Additional information regarding the City's capital assets can be found in the Notes to Financial Statements section.

**Long-Term Debt.** As of April 30, 2005, the City had total bonded debt outstanding of \$64,000 which is backed by the full faith and credit of the City. The City levies 1.5 mills on all real property to help service this debt which is reported in the Sewer Fund. The City also has a note payable for the new fire truck which was purchased in 2003. The balance on that agreement was \$76,856 at April 30, 2005. The City receives annual contributions from Riverside Township to help service this debt which is due in full May 30, 2008.

### **Economic Outlook**

The City of McBain developed a master plan in January 1990 and a Strategic Plan in September 1991. Both plans call for developing a diverse economy with emphasis on the McBain Industrial Park, the agricultural support business, the downtown district, housing, and transportation.

To this end the economic development efforts include employing an economic development director, who is an experienced professional, to work with the City, the Tax Increment Finance Authority (TIFA), and the Downtown Development Authority (DDA).

CITY OF MCBAIN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED APRIL 30, 2005

The McBain Industrial Park contains four wood-based industries employing 150 people. They are Biewer Sawmill, Hydrolake Pole plant, Wolverine Woodworking, and the wood-fired electric generating plant, Viking Energy. Two machine shops, and a major trucking company are also located there. Plans are underway for an agricultural growing and processing center, and another wood-based manufacturing company.

The downtown area has seen the demolition of fourteen old buildings with the addition of a new grocery store, coffee and fitness center, restaurant, professional building, an enlarged McBain Grain store, an enlarged Ellens farm equipment sales and service center, two new gas service stations, and two new parking lots. Plans are underway for another new parking lot and another new professional building.

Most of these developments have been assisted in their growth by the McBain TIFA and DDA.

A major project now being conducted is an alternate energy study to determine if and how steam and hot water energy can be extracted from Viking Energy for industrial and agricultural processing purposes.

Three private apartment complexes have been developed along with a new subdivision and module home park.

A modern Stoney Corners Road all-purpose county highway has been constructed to connect McBain with the US131 freeway.

Also underway is the planned implementation of a video camera security system, which will service the main traffic and strategic locations in the city.

**Contacting the City's Finance Department**

This financial report is designed to provide the wide variety of users of this document with a general overview of the City's finances and demonstrate the City's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the City of McBain, 508 West Maple Street, McBain, MI 49657, or call us at (231) 825-2322.

CITY OF MCBAIN, MICHIGAN

STATEMENT OF NET ASSETS

APRIL 30, 2005

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
Cash	\$ 339,591	\$ 200,476	\$ 540,067	\$ 317,768
Receivables				
Taxes	156	0	156	15,076
Accounts	1,949	2,287	4,236	37
Mortgages and Notes	0	0	0	892,346
Internal Balances	382	(382)	0	0
Due from Other Governments	18,044	0	18,044	0
Total Current Assets	\$ 360,122	\$ 202,381	\$ 562,503	\$ 1,225,227
<u>RESTRICTED ASSETS</u>				
Cash	\$ 0	\$ 35,192	\$ 35,192	\$ 0
Property Assessments Receivable	0	5,128	5,128	0
Total Restricted Assets	\$ 0	\$ 40,320	\$ 40,320	\$ 0
<u>CAPITAL ASSETS</u>				
Land and Land Improvements	\$ 697,033	\$ 88,703	\$ 785,736	\$ 0
Infrastructure	940,379	0	940,379	0
Buildings	462,241	90,537	552,778	0
Improvements Other Than Buildings	0	2,713,780	2,713,780	0
Machinery and Equipment	892,120	154,948	1,047,068	0
	\$ 2,991,773	\$ 3,047,968	\$ 6,039,741	\$ 0
Less Accumulated Depreciation	842,431	1,615,063	2,457,494	0
Net Capital Assets	\$ 2,149,342	\$ 1,432,905	\$ 3,582,247	\$ 0
TOTAL ASSETS	\$ 2,509,464	\$ 1,675,606	\$ 4,185,070	\$ 1,225,227

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN

STATEMENT OF NET ASSETS

APRIL 30, 2005

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 13,221	\$ 2,569	\$ 15,790	\$ 0
Accrued Interest	0	267	267	0
Due to Other Governments	37	0	37	0
Current Portion of Long-Term Debt	0	11,000	11,000	10,820
Total Current Liabilities	\$ 13,258	\$ 13,836	\$ 27,094	\$ 10,820
<u>LONG-TERM LIABILITIES</u>				
Revenue Bonds	\$ 0	\$ 53,000	\$ 53,000	\$ 0
Installment Purchase Agreement	0	0	0	23,308
Notes Payable	76,856	0	76,856	0
Total Long-Term Liabilities	\$ 76,856	\$ 53,000	\$ 129,856	\$ 23,308
TOTAL LIABILITIES	\$ 90,114	\$ 66,836	\$ 156,950	\$ 34,128
<u>EQUITY</u>				
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 2,072,486	\$ 1,368,905	\$ 3,441,391	\$ 0
Restricted for Debt Service	0	40,053	40,053	0
Unrestricted	347,081	199,812	546,893	1,191,099
TOTAL NET ASSETS	\$ 2,419,567	\$ 1,608,770	\$ 4,028,337	\$ 1,191,099

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED APRIL 30, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNITS	
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS		
PRIMARY GOVERNMENT									
GOVERNMENTAL ACTIVITIES									
Legislative	\$ 3,350	\$ 0	\$ 0	\$ 0	\$ (3,350)	\$ 0	\$ (3,350)	\$ 0	
General Government	156,139	1,388	0	0	(154,751)	0	(154,751)	0	
Public Safety	61,859	0	14,000	41,466	(6,393)	0	(6,393)	0	
Public Works	156,238	138,361	70,284		52,407	0	52,407	0	
Planning	10,415	0	0	0	(10,415)	0	(10,415)	0	
Recreation and Culture	17,164	0	0	0	(17,164)	0	(17,164)	0	
Economic Development and Assistance	250	0	0	0	(250)	0	(250)	0	
Capital Outlay	6,495	0	0	0	(6,495)	0	(6,495)	0	
Interest on Long-Term Debt	3,403	0	0	0	(3,403)	0	(3,403)	0	
Other Functions	67,571	0	0	0	(67,571)	0	(67,571)	0	
Unallocated Depreciation	8,478	0	0	0	(8,478)	0	(8,478)	0	
Total Governmental Activities	\$ 491,362	\$ 139,749	\$ 84,284	\$ 41,466	\$ (225,863)	\$ 0	\$ (225,863)	\$ 0	
BUSINESS-TYPE ACTIVITIES									
Water System	\$ 70,566	\$ 32,280	\$ 860	\$ 0	\$ 0	\$ (37,426)	\$ (37,426)	\$ 0	
Sewer System	81,655	32,461	0	0	0	(49,194)	(49,194)	0	
Total Business-Type Activities	\$ 152,221	\$ 64,741	\$ 860	\$ 0	\$ 0	\$ (86,620)	\$ (86,620)	\$ 0	
TOTAL PRIMARY GOVERNMENT	\$ 643,583	\$ 204,490	\$ 85,144	\$ 41,466	\$ (225,863)	\$ (86,620)	\$ (312,483)	\$ 0	
COMPONENT UNITS									
Downtown Development Authority	\$ 24,365	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (24,365)	
Tax Increment Finance Authority	261,075	0	0	0	0	0	0	\$ (261,075)	
TOTAL COMPONENT UNITS	\$ 285,440	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (285,440)	
GENERAL REVENUES									
Property Tax					\$ 102,976	\$ 10,425	\$ 113,401	\$ 258,519	
State Shared Revenue					55,259	0	55,259	0	
Contributions from Local Units					68,650	0	68,650	0	
Unrestricted Investment Earnings					3,505	2,812	6,317	37,084	
Other					13,813	2,765	16,578	25,099	
Total General Revenues					\$ 244,203	\$ 16,002	\$ 260,205	\$ 320,702	
Change in Net Assets					\$ 18,340	\$ (70,618)	\$ (52,278)	\$ 35,262	
NET ASSETS - Beginning of Year					2,401,227	1,679,388	4,080,615	1,155,837	
NET ASSETS - End of Year					\$ 2,419,567	\$ 1,608,770	\$ 4,028,337	\$ 1,191,099	

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
APRIL 30, 2005

	GENERAL	MAJOR STREET	LOCAL STREET	NON- MAJOR FUNDS	TOTALS
<u>ASSETS</u>					
Cash	\$ 192,854	\$ 27,799	\$ 26,627	\$ 92,311	\$ 339,591
Receivables					
Taxes	156	0	0	0	156
Accounts	1,949	0	0	0	1,949
Due from Other Funds	13,333	150	0	0	13,483
Due from Other Governments	7,193	7,948	2,903	0	18,044
TOTAL ASSETS	<u>\$ 215,485</u>	<u>\$ 35,897</u>	<u>\$ 29,530</u>	<u>\$ 92,311</u>	<u>\$ 373,223</u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>					
Accounts Payable	\$ 5,428	\$ 463	\$ 463	\$ 6,867	\$ 13,221
Due to Other Funds	0	3,686	8,261	937	12,884
Due to Other Governments	37	0	0	0	37
Deferred Revenue	156	0	0	0	156
Total Liabilities	<u>\$ 5,621</u>	<u>\$ 4,149</u>	<u>\$ 8,724</u>	<u>\$ 7,804</u>	<u>\$ 26,298</u>

FUND BALANCE

Unreserved:					
Designated for:					
City Hall Equipment	\$ 0	\$ 0	\$ 0	\$ 12,246	\$ 12,246
Undesignated	209,864	31,748	20,806	0	262,418
Undesignated, Reported in Nonmajor Funds	0	0	0	72,261	72,261
Total Fund Balance	<u>\$ 209,864</u>	<u>\$ 31,748</u>	<u>\$ 20,806</u>	<u>\$ 84,507</u>	<u>\$ 346,925</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 215,485</u>	 <u>\$ 35,897</u>	 <u>\$ 29,530</u>	 <u>\$ 92,311</u>	 <u>\$ 373,223</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN  
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
APRIL 30, 2005

Total Fund Balances for Governmental Funds		\$	346,925
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Fixed Assets	2,991,773		
Accumulated Depreciation	<u>(842,431)</u>		2,149,342
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.			
Personal Property Taxes Receivable			<u>156</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Notes Payable			<u>(76,856)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<u><u>2,419,567</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN  
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED APRIL 30, 2005

	GENERAL	MAJOR STREET	LOCAL STREET	NON- MAJOR FUNDS	TOTALS
<u>REVENUES</u>					
Taxes	\$ 103,172	\$ 0	\$ 0	\$ 0	\$ 103,172
State Grants	55,259	52,746	17,538	0	125,543
Contributions from Local Units	8,500	0	0	115,616	124,116
Charges for Services	139,374	0	0	375	139,749
Interest and Rents	8,019	83	26	728	8,856
Other Revenue	310	0	0	8,152	8,462
Total Revenues	\$ 314,634	\$ 52,829	\$ 17,564	\$ 124,871	\$ 509,898
<u>EXPENDITURES</u>					
Legislative	\$ 3,350	\$ 0	\$ 0	\$ 0	\$ 3,350
General Government	136,992	0	0	19,147	156,139
Public Safety	0	0	0	37,676	37,676
Public Works	45,174	80,542	20,836	0	146,552
Planning	10,415	0	0	0	10,415
Culture and Recreation	4,030	0	0	0	4,030
Economic Development and Assistance	0	0	0	250	250
Capital Outlay	0	0	0	77,660	77,660
Debt Service	0	0	0	50,503	50,503
Other Functions	67,571	0	0	0	67,571
Total Expenditures	\$ 267,532	\$ 80,542	\$ 20,836	\$ 185,236	\$ 554,146
Excess (Deficiency) of Revenues Over Expenditures	\$ 47,102	\$ (27,713)	\$ (3,272)	\$ (60,365)	\$ (44,248)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	\$ 0	\$ 0	\$ 14,003	\$ 31,000	\$ 45,003
Transfers Out	(30,383)	(11,620)	0	(3,000)	(45,003)
Total Other Financing Sources (Uses)	\$ (30,383)	\$ (11,620)	\$ 14,003	\$ 28,000	\$ 0
Net Change in Fund Balance	\$ 16,719	\$ (39,333)	\$ 10,731	\$ (32,365)	\$ (44,248)
<u>FUND BALANCE</u> - Beginning of Year	193,145	71,081	10,075	116,872	391,173
<u>FUND BALANCE</u> - End of Year	\$ 209,864	\$ 31,748	\$ 20,806	\$ 84,507	\$ 346,925

The accompanying notes are an integral part of the financial statements.



CITY OF MCBAIN, MICHIGAN  
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED APRIL 30, 2005

Net change in Fund Balance - Total Governmental Funds	\$ (44,248)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.	
Depreciation Expense	(112,062)
Capital Outlay	127,746
Repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	47,100
Under the modified accrual basis of accounting, revenue is recognized when measurable and available. The entity wide statements recognize revenue when earned.	
Deferred Revenue at the beginning of the year	(352)
Deferred Revenue at the end of the year	156
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 18,340</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
APRIL 30, 2005

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 115,572	\$ 84,904	\$ 200,476
Receivables			
Accounts	1,166	1,121	2,287
Total Current Assets	<u>\$ 116,738</u>	<u>\$ 86,025</u>	<u>\$ 202,763</u>
<u>NONCURRENT ASSETS</u>			
<u>RESTRICTED ASSETS</u>			
Cash	\$ 0	\$ 35,192	\$ 35,192
Property Assessments Receivable	0	5,128	5,128
Total Restricted Assets	<u>\$ 0</u>	<u>\$ 40,320</u>	<u>\$ 40,320</u>
<u>CAPITAL ASSETS</u>			
Land	\$ 0	\$ 88,703	\$ 88,703
Buildings	22,616	67,921	90,537
Improvements Other Than Buildings	945,480	1,768,300	2,713,780
Machinery and Equipment	37,818	117,130	154,948
	<u>\$ 1,005,914</u>	<u>\$ 2,042,054</u>	<u>\$ 3,047,968</u>
Less Accumulated Depreciation	641,837	973,226	1,615,063
Net Capital Assets	<u>\$ 364,077</u>	<u>\$ 1,068,828</u>	<u>\$ 1,432,905</u>
 TOTAL ASSETS	 <u>\$ 480,815</u>	 <u>\$ 1,195,173</u>	 <u>\$ 1,675,988</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 373	\$ 2,196	\$ 2,569
Accrued Interest	0	267	267
Due to Other Funds	0	382	382
Current Portion of Revenue Bonds	0	11,000	11,000
Total Current Liabilities	<u>\$ 373</u>	<u>\$ 13,845</u>	<u>\$ 14,218</u>
<u>LONG-TERM LIABILITIES</u>			
Revenue Bonds	0	53,000	53,000
 TOTAL LIABILITIES	 <u>\$ 373</u>	 <u>\$ 66,845</u>	 <u>\$ 67,218</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 364,077	\$ 1,004,828	\$ 1,368,905
Restricted for Debt Service	0	40,053	40,053
Unrestricted	116,365	83,447	199,812
 TOTAL NET ASSETS	 <u>\$ 480,442</u>	 <u>\$ 1,128,328</u>	 <u>\$ 1,608,770</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
YEAR ENDED APRIL 30, 2005

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		<u>TOTALS</u>
	<u>WATER FUND</u>	<u>SEWER FUND</u>	
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 32,280	\$ 32,461	\$ 64,741
<u>OPERATING EXPENSES</u>			
Personal Services	\$ 2,000	\$ 8,000	\$ 10,000
Contractual Services	1,476	11,649	13,125
Supplies	265	111	376
Heat, Light and Power	7,157	3,746	10,903
Depreciation and Amortization	41,248	39,161	80,409
Repairs and Maintenance	16,458	15,312	31,770
Miscellaneous	242	18	260
Total Operating Expenses	\$ 68,846	\$ 77,997	\$ 146,843
Operating Income (Loss)	\$ (36,566)	\$ (45,536)	\$ (82,102)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Revenue	\$ 1,048	\$ 1,764	\$ 2,812
Interest and Fiscal Charges	0	(3,658)	(3,658)
Wellhead Protection Grant	860	0	860
Current Property Taxes	0	10,425	10,425
Miscellaneous	1,022	1,743	2,765
Wellhead Protection Expenses	(1,720)	0	(1,720)
Total Nonoperating Revenues (Expenses)	\$ 1,210	\$ 10,274	\$ 11,484
Net Income (Loss)	\$ (35,356)	\$ (35,262)	\$ (70,618)
<u>TOTAL NET ASSETS</u> - Beginning of Year	515,798	1,163,590	1,679,388
<u>TOTAL NET ASSETS</u> -End of Year	\$ 480,442	\$ 1,128,328	\$ 1,608,770

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED APRIL 30, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 30,897	\$ 33,082	\$ 63,979
Cash Payments to Suppliers for Goods and Services	(26,142)	(28,767)	(54,909)
Cash Payments to Employees for Services	(2,000)	(8,000)	(10,000)
Other Operating Revenues	500	500	1,000

Net Cash Provided (Used) by Operating Activities	\$ 3,255	\$ (3,185)	\$ 70
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Cash Flows from Capital and Related Financing Activities:

Acquisition and Construction of Capital Assets	\$ 0	\$ (34,365)	\$ (34,365)
Grant Proceeds	(860)	0	(860)
Principal Paid on Bonds	0	(10,000)	(10,000)
Interest Paid on Bonds	0	(3,658)	(3,658)
Property Taxes	0	10,828	10,828
Miscellaneous Revenue	1,024	1,743	2,767

Net Cash Provided (Used) for Capital and Related Financing Activities	\$ 164	\$ (35,452)	\$ (35,288)
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Cash Flows from Investing Activities:

Interest Received	\$ 1,048	\$ 1,764	\$ 2,812
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Net Increase (Decrease) in Cash and Cash Equivalents	\$ 4,467	\$ (36,873)	\$ (32,406)
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<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	111,105	156,969	268,074
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<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 115,572	\$ 120,096	\$ 235,668
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The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED APRIL 30, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
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RECONCILIATION OF OPERATING INCOME

TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$	(36,566)	\$	(45,536)	\$	(82,102)
Adjustments to Reconcile Operating Income						
To Net Cash Provided by Operating Activities						
Depreciation and Amortization	\$	41,248	\$	39,161	\$	80,409
(Increase) Decrease in Current Assets						
Accounts Receivable		(883)		131		(752)
Due from Other Funds		0		608		608
Increase (Decrease) in Current Liabilities						
Accounts Payable		(544)		2,069		1,525
Due to Other Funds		0		382		382
Total Adjustments	\$	39,821	\$	42,351	\$	82,172
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$	3,255	\$	(3,185)	\$	70

The accompanying notes are an integral part of the financial statements.

CITY OF CADILLAC, MICHIGAN  
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS  
APRIL 30, 2005

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash	<u>\$ 3,627</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 2,306
Due to Other Governments	<u>1,321</u>
TOTAL LIABILITIES	<u>\$ 3,627</u>
<u>NET ASSETS</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN  
COMPONENT UNITS

STATEMENT OF NET ASSETS  
APRIL 30, 2005

	DOWNTOWN DEVELOPMENT AUTHORITY	TAX INCREMENT FINANCE AUTHORITY	TOTALS
<u>ASSETS</u>			
Cash	\$ 62,993	\$ 254,775	\$ 317,768
Receivables			
Taxes	508	14,568	15,076
Loans	90,511	801,835	892,346
Due from Other Governments	37	0	37
TOTAL ASSETS	<u>\$ 154,049</u>	<u>\$ 1,071,178</u>	<u>\$ 1,225,227</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Current Portion of Long-Term Debt	\$ 10,820	\$ 0	\$ 10,820
<u>LONG-TERM LIABILITIES</u>			
Installment Purchase Agreement	23,308	0	23,308
TOTAL LIABILITIES	<u>\$ 34,128</u>	<u>\$ 0</u>	<u>\$ 34,128</u>
<u>EQUITY</u>			
Net Assets:			
Unrestricted	<u>\$ 119,921</u>	<u>\$ 1,071,178</u>	<u>\$ 1,191,099</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN  
COMPONENT UNITS

STATEMENT OF ACTIVITIES  
YEAR ENDED APRIL 30, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
<u>Downtown Development Authority</u>				
Economic Development and Assistance	\$ 22,211	\$ 0	\$ 0	\$ (22,211)
Interest on Long-Term Debt	2,154		0	(2,154)
	\$ 24,365	\$ 0	\$ 0	\$ (24,365)
<u>Tax Increment Finance Authority</u>				
Economic Development and Assistance	261,075	0	0	(261,075)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 285,440</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (285,440)</b>
<u>GENERAL REVENUES</u>				
Property Tax				\$ 258,519
Unrestricted Investment Earnings				37,084
Other				25,099
Total General Revenues				<u>\$ 320,702</u>
Change in Net Assets				\$ 35,262
NET ASSETS - Beginning of Year				<u>1,155,837</u>
NET ASSETS - End of Year				<u>\$ 1,191,099</u>

The accompanying notes are an integral part of the financial statements.



CITY OF MCBAIN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of McBain, Michigan, was incorporated under the laws of the State of Michigan and operates under an elected Mayor-Council form of government. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government. Each blended and discretely presented component unit has an April 30 year end.

*BLENDED COMPONENT UNITS*

**City of McBain Fire Department** - The Fire Department of McBain, Michigan, an entity legally separate from the City, is governed by a board appointed by the City council. For financial reporting purposes, the Fire Department is reported as if it were part of the City's operations because its purpose is to provide fire protection to the citizens of the City and the townships of Riverside and Richland.

*DISCRETELY PRESENTED COMPONENT UNITS*

**Downtown Development Authority (DDA)** – The members of the governing board of the Downtown Development Authority are appointed by the McBain City council. The Authority's operational and capital budgets and bonded debt must be approved by the City council.

**Tax Increment Finance Authority (TIFA)** – The members of the governing board of the Tax Increment Finance Authority are appointed by the McBain City council. The Authority's operational and capital budgets and bonded debt must be approved by the City council.

Financial statements of the individual component units are included as supplemental information in the annual financial report of the City of McBain, Michigan. The component units do not issue separate financial reports.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the City adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

CITY OF MCBAIN, MICHIGAN

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*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for

CITY OF MCBAIN, MICHIGAN

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which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City of McBain reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

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The City of McBain reports the following major proprietary funds:

The *Water Fund and Sewer Fund* record financial activity of the water system which provides water to customers and the operations of the City's wastewater collection and treatment System.

Additionally the City of McBain reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Fiduciary funds* are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the City holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in

CITY OF MCBAIN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
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connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - The City's investment policy is in compliance with state law and authorizes the City to invest in passbook savings accounts, certificates of deposit, and money market funds. The City does not have any investments other than interest bearing bank accounts.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. City and State Education taxes are levied and due July 1, and become delinquent after August 14. County and local school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. City property tax revenues are recognized when they become both measurable and available for use to finance City operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the City of McBain totaled \$20,410,447, on which ad valorem taxes levied consisted of 12.4517 mills for the City of McBain operating purposes and 1.5000 mills (on real property only with a taxable valuation of \$15,376,647) for sewer debt retirement. These levies raised approximately \$254,142 for operating purposes and \$23,065 for sewer debt retirement. Portions of

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

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these taxes levied were captured by the Downtown Development Authority, and the Tax Increment Finance Authority. These amounts are recognized in the respective General Fund or Component Unit Fund financial statements as taxes receivable or as tax revenue.

**3. *Restricted Assets***

Certain resources of the Sewer Fund which are set aside for repayment of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "bond reserve" account is used to report resources set aside to make current debt service payments and to make up potential future deficiencies in the funds available for debt service.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40-50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	10
Equipment	5-10

**7. *Long-term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

CITY OF MCBAIN, MICHIGAN

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**5. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**6. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

1. Prior to April 30, the City Clerk submits to the City Council a proposed operating budget for all governmental funds for the fiscal year commencing the following May 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 30, the budget is legally enacted through passage of a budget ordinance. Budgets are submitted on a line-item basis but adopted by the Council on a major function basis.
4. All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.
5. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
6. Budgets for the General, Special Revenue, Debt Service and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end. No budget amendments were adopted during the year.
7. Encumbrance accounting is not used by the City.

CITY OF MCBAIN, MICHIGAN  
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**B. Major funds with expenditures in excess of appropriations were as follows:**

Major Street Fund expenditures of \$80,542 exceeded appropriations by \$30,892. This overage was funded by greater than anticipated revenues and beginning fund balance.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

Cash balances of most City funds are pooled and invested. Interest earned on the investments purchased with pooled cash is allocated back to each of the funds based on the fund's average equity balance. In addition, investments are separately held by several of the City's funds. The City's deposits and investments are all on deposit with Chemical Bank West. Other than interest bearing bank accounts, the City has no investments.

Investment rate risk. The City will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in interest bearing demand accounts.

Foreign currency risk. The City is not authorized to invest in investments, which have this type of risk.

Credit risk. The City minimizes Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the City's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the City will do business in accordance with the City's investment policy.

Concentration of credit risk. The City minimizes Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the City's deposits in a single bank, by investing in a high quality local bank.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of April 30, 2005, \$398,313 of the City's bank balances of \$552,739 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of April 30, 2005, \$194,325 of the component units' bank balances of \$359,273 was exposed to custodial credit risk because it was uninsured and uncollateralized.



CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2005

**B. Receivables**

Receivables as of year end for the government's individual major funds and component units are as follows:

	General		Water		Sewer		Component Units
Receivables							
Taxes and Assessments	\$	156	\$	0	\$	5,128	\$ 0
Accounts		1,949		1,166		1,121	0
Mortgages and Notes		0		0		0	892,346
Receivables	\$	2,105	\$	1,166	\$	6,249	\$ 892,346

By ordinance, the City can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable (General Fund)	\$ 156

**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 288,582	\$ 0	\$ 0	\$ 288,582
Capital assets, being depreciated				
Buildings	\$ 462,241	\$ 0	\$ 0	\$ 462,241
Land Improvements	408,451	0	0	408,451
Machinery and Equipment	812,455	79,665	0	892,120
Infrastructure	892,298	48,081	0	940,379
Total capital assets, being depreciated	\$ 2,575,445	\$ 127,746	\$ 0	\$ 2,703,191

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	\$ 89,287	\$ 11,556	\$ 0	\$ 100,843
Land Improvements	133,534	17,873	0	151,407
Machinery and Equipment	321,800	43,209	0	365,009
Infrastructure	185,748	39,424	0	225,172
Total accumulated depreciation	\$ 730,369	\$ 112,062	\$ 0	\$ 842,431
Total capital assets, being depreciated, net	\$1,845,076	\$ 15,684	\$ 0	\$1,860,760
Governmental activities capital assets, net	\$2,133,658	\$ 15,684	\$ 0	\$2,149,342
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 88,703	\$ 0	\$ 0	\$ 88,703
Capital assets, being depreciated				
Buildings	\$ 90,537	\$ 0	\$ 0	\$ 90,537
Land Improvements	2,680,416	33,364	0	2,713,780
Machinery and Equipment	154,948	0	0	154,948
Total capital assets, being depreciated	\$2,925,901	\$ 33,364	\$ 0	\$2,959,265
Less accumulated depreciation for:				
Buildings	\$ 56,750	\$ 2,529	\$ 0	\$ 59,279
Land Improvements	1,341,017	75,368	0	1,416,385
Machinery and Equipment	136,887	2,512	0	139,399
Total accumulated depreciation	\$1,534,654	\$ 80,409	\$ 0	\$1,615,063
Total capital assets, being depreciated, net	\$1,391,247	\$ (47,045)	\$ 0	\$1,344,202
Business-type activities capital assets, net	\$1,479,950	\$ (47,045)	\$ 0	\$1,432,905

CITY OF MCBAIN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2005

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public Safety	\$ 24,183
Public Works	66,267
Culture and Recreation	13,134
Unallocated Depreciation	<u>8,478</u>
Total governmental activities	<u>\$ 112,062</u>
Business-type activities:	
Water Fund	\$ 41,248
Sewer Fund	<u>39,161</u>
Total business-type activities	<u>\$ 80,409</u>

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at April 30, 2005, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 13,333	\$ 0
Major Street Fund	150	3,686
Local Street Fund	0	8,261
Cemetery Fund	0	937
Water Fund	0	217
Sewer Fund	0	382
Downtown Development Authority	2,120	0
Tax Increment Finance Authority	<u>0</u>	<u>2,120</u>
	\$ 15,603	\$ 15,603

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at April 30, 2005, are expected to be repaid within one year.

CITY OF MCBAIN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2005

Interfund Transfers as of April 30, 2005, were:

	TRANSFERS	
	IN	OUT
<u>Primary Government</u>		
General Fund	\$ 0	\$ 30,383
Major Street Fund	0	11,620
Local Street Fund	14,003	0
Cemetery Fund	10,000	0
Fire Fund	11,000	0
Capital Outlay Equipment Fund	10,000	3,000
	<u>\$ 45,003</u>	<u>\$ 45,003</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**F. Long-Term Debt**

**1. Primary Government**

The following is a summary of debt transactions of the City of McBain for the year ended April 30, 2005:

Governmental Activities:

	Fire Truck Note
Debt Payable at May 1, 2004	\$ 123,956
New Debt Incurred	0
Debt Retired	<u>(47,100)</u>
Debt Payable at April 30, 2005	<u>\$ 76,856</u>
Due within one year	<u>\$ 0</u>

Debt payable at April 30, 2005 is comprised of the following individual issue:

*Equipment Note Payable*

\$275,815 note is due May 30, 2008. Interest at the rate of 3.04% is due on May 30, of each year through 2008. Secured by a fire truck. Payments of \$198,959, plus interest have already been made on this loan.

\$ 76,856

CITY OF MCBAIN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2005

The annual requirements to amortize the debt outstanding as of April 30, 2005, are as follows:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 0	\$ 2,336	\$ 2,336
2007	0	2,336	2,336
2008	0	2,336	2,336
2009	76,856	2,336	79,192
	<u>\$ 76,856</u>	<u>\$ 9,344</u>	<u>\$ 86,200</u>

Business-type activities:

	<u>Revenue Bonds</u>
Debt Payable at May 1, 2004	\$ 74,000
New Debt Incurred	0
Debt Retired	<u>(10,000)</u>
Debt Payable at April 30, 2005	<u>\$ 64,000</u>

\$340,000 Missaukee County Sanitary Sewer Collection, Treatment and Disposal System (McBain System No. 1) bonds due in annual installments of \$5,000 to \$13,000 through April 1, 2011; interest at 5.0% due April 1 and October 1, of each year.

\$ 64,000

The annual requirements to amortize the debt outstanding as of April 30, 2005, are as follows:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 11,000	\$ 3,200	\$ 14,200
2007	11,000	2,650	13,650
2008	12,000	2,100	14,100
2009	12,000	1,500	13,500
2010	13,000	900	13,900
2011	5,000	250	5,250
	<u>\$ 64,000</u>	<u>\$ 10,600</u>	<u>\$ 74,600</u>

CITY OF MCBAIN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2005

**2. Component Units**

The following is a summary of debt transactions of the City of McBain's discretely presented component units for the year ended April 30, 2005:

	Installment Purchase Agreement
Debt Payable at May 1, 2004	\$ 44,448
New Debt Incurred	0
Debt Retired	(10,320)
Debt Payable at April 30, 2005	\$ <u>34,128</u>

Debt payable at April 30, 2005, is comprised of the following issues:

Installment Purchase Agreement payable in annual installments of \$12,475 including interest at 4.85% due April 1 of each year through 2008.	\$ <u>34,128</u>
--	------------------

The annual requirements to amortize this debt as of April 30, 2005, are as follows:

Year Ending April 30,	Principal	Interest	Total
2006	\$ 10,820	\$ 1,655	\$ 12,475
2007	11,345	1,130	12,475
2008	11,963	512	12,475
	<u>\$ 34,128</u>	<u>\$ 3,297</u>	<u>\$ 37,425</u>

**G. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the City has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

NET ASSETS

Restricted

Sewer Fund

Debt Service

\$ 40,053

FUND BALANCE/NET ASSETS

Capital Projects Funds

Capital Outlay Equipment Fund

City Hall Equipment

\$ 12,246

CITY OF MCBAIN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2005

**IV. OTHER INFORMATION**

**A. Mortgages and Notes Receivable**

Mortgages and Notes Receivable as reported in the component units consist of the following:

Mortgages and notes made to private businesses to encourage development within the boundaries of the Downtown Development Authority and Tax Increment Finance Authority.

**B. Due from Other Governments**

Amounts due from other governments consist of \$18,044 in state-shared revenues.

**C. Deficit Fund Balance**

The Fire Fund had a deficit fund balance of \$7,064 as of April 30, 2005. It will be eliminated with revenues during the year ended April 30, 2006.

**D. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which City carries commercial insurance.

CITY OF MCBAIN, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED APRIL 30, 2005

	GENERAL FUND				MAJOR STREET FUND				LOCAL STREET FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>												
Taxes	\$ 90,000	\$ 90,000	\$ 103,172	\$ 13,172	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Grants	53,000	53,000	55,259	2,259	35,000	35,000	52,746	17,746	15,000	15,000	17,538	2,538
Contributions from Local Units	0	0	8,500	8,500	0	0	0	0	0	0	0	0
Charges for Services	95,000	95,000	139,374	44,374	0	0	0	0	0	0	0	0
Interest and Rents	6,351	6,351	8,019	1,668	100	100	83	(17)	50	50	26	(24)
Other Revenue	80,200	80,200	310	(79,890)	0	0	0	0	0	0	0	0
Total Revenues	\$ 324,551	\$ 324,551	\$ 314,634	\$ (9,917)	\$ 35,100	\$ 35,100	\$ 52,829	\$ 17,729	\$ 15,050	\$ 15,050	\$ 17,564	\$ 2,514
<u>EXPENDITURES</u>												
Legislative	\$ 7,080	\$ 7,080	\$ 3,350	\$ 3,730	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government	176,400	176,400	136,992	39,408	0	0	0	0	0	0	0	0
Public Works	49,000	49,000	45,174	3,826	57,550	57,550	80,542	(22,992)	39,050	39,050	20,836	18,214
Planning	14,095	14,095	10,415	3,680	0	0	0	0	0	0	0	0
Culture and Recreation	5,600	5,600	4,030	1,570	0	0	0	0	0	0	0	0
Capital Outlay	10,000	10,000	0	10,000	0	0	0	0	0	0	0	0
Other Functions	144,500	144,500	67,571	76,929	0	0	0	0	0	0	0	0
Total Expenditures	\$ 406,675	\$ 406,675	\$ 267,532	\$ 139,143	\$ 57,550	\$ 57,550	\$ 80,542	\$ (22,992)	\$ 39,050	\$ 39,050	\$ 20,836	\$ 18,214
Excess (Deficiency) of Revenues Over Expenditures	\$ (82,124)	\$ (82,124)	\$ 47,102	\$ 129,226	\$ (22,450)	\$ (22,450)	\$ (27,713)	\$ (5,263)	\$ (24,000)	\$ (24,000)	\$ (3,272)	\$ 20,728
<u>OTHER FINANCING SOURCES (USES)</u>												
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,000	\$ 25,000	\$ 14,003	\$ (10,997)
Transfers Out	(43,000)	(43,000)	(30,383)	12,617	(10,000)	(10,000)	(11,620)	(1,620)	0	0	0	0
Total Other Financing Sources (Uses)	\$ (43,000)	\$ (43,000)	\$ (30,383)	\$ 12,617	\$ (10,000)	\$ (10,000)	\$ (11,620)	\$ (1,620)	\$ 25,000	\$ 25,000	\$ 14,003	\$ (10,997)
Net Change in Fund Balance	\$ (125,124)	\$ (125,124)	\$ 16,719	\$ 141,843	\$ (32,450)	\$ (32,450)	\$ (39,333)	\$ (6,883)	\$ 1,000	\$ 1,000	\$ 10,731	\$ 9,731
<u>FUND BALANCE - Beginning of Year</u>	150,403	150,403	193,145	(42,742)	71,914	71,914	71,081	833	17,726	17,726	10,075	7,651
<u>FUND BALANCE - End of Year</u>	\$ 25,279	\$ 25,279	\$ 209,864	\$ 99,101	\$ 39,464	\$ 39,464	\$ 31,748	\$ (6,050)	\$ 18,726	\$ 18,726	\$ 20,806	\$ 17,382



CITY OF MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash	\$ 192,854	\$ 172,479
Receivables		
Taxes	156	8,566
Accounts	1,232	410
Due from Other Funds		
Major Street Fund	3,686	0
Local Street Fund	8,111	6,198
Sewer Fund	382	0
Water Fund	217	0
Cemetery Fund	937	0
Current Tax Collection Fund	717	4,358
Due from Other Governments	7,193	6,331
	<hr/>	<hr/>
TOTAL ASSETS	\$ 215,485	\$ 198,342
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 5,428	\$ 4,808
Deferred Revenue	156	352
Due to Other Governments	37	37
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 5,621	\$ 5,197
<u>FUND BALANCE</u>		
Unreserved	209,864	193,145
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 215,485	\$ 198,342
	<hr/> <hr/>	<hr/> <hr/>

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 99,000	\$ 103,172	\$ 107,005
State Grants	53,000	55,259	54,503
Contributions from Local Units	0	8,500	0
Charges for Services	86,000	139,374	130,710
Interest and Rents	6,351	8,019	7,971
Other Revenue	80,200	310	2,868
Total Revenues	\$ 324,551	\$ 314,634	\$ 303,057
<u>EXPENDITURES</u>			
Legislative	\$ 7,080	\$ 3,350	\$ 6,000
General Government			
Executive	7,000	6,896	6,617
Elections	1,500	1,665	638
Independent Auditing	3,000	2,400	2,300
Attorney	6,000	531	2,417
Clerk	11,800	10,210	9,719
Board of Review	1,000	816	0
Treasurer	10,400	11,244	12,902
City Hall and Grounds	130,700	103,230	101,594
Public Works	64,000	45,174	41,595
Planning	14,095	10,415	7,567
Culture and Recreation	5,600	4,030	4,946
Other Functions	144,500	67,571	64,190
Total Expenditures	\$ 406,675	\$ 267,532	\$ 260,485
Excess (Deficiency) of Revenues Over Expenditures	\$ (82,124)	\$ 47,102	\$ 42,572

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(43,000)	(30,383)	(63,313)
Net Change in Fund Balance	\$ (125,124)	\$ 16,719	\$ (20,741)
<u>FUND BALANCE</u> - Beginning of Year	150,403	193,145	213,886
<u>FUND BALANCE</u> - End of Year	\$ 25,279	\$ 209,864	\$ 193,145

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>TAXES</u>			
Current Property Tax	\$ 90,000	\$ 94,054	\$ 94,689
Delinquent Property Tax	0	0	1,109
Trailer Fees	0	42	40
Property Tax Administration Fee	9,000	9,076	11,167
Total Taxes	\$ 99,000	\$ 103,172	\$ 107,005
<u>STATE GRANTS</u>			
Sales Tax	\$ 53,000	\$ 52,542	\$ 53,872
Public Act 48	0	2,717	631
Total State Grants	\$ 53,000	\$ 55,259	\$ 54,503
<u>CONTRIBUTIONS FROM LOCAL UNITS</u>			
Tax Increment Finance Authority	\$ 0	\$ 8,500	\$ 0
<u>CHARGES FOR SERVICES</u>			
Refuse Collection	\$ 22,000	\$ 26,791	\$ 25,782
Summer Tax Collection Fee	0	1,013	1,073
Industrial Park Maintenance	30,000	48,425	48,290
Equipment Rental	17,000	29,242	28,516
Labor	17,000	33,903	27,049
Total Charges for Services	\$ 86,000	\$ 139,374	\$ 130,710
<u>INTEREST AND RENTS</u>			
Interest	\$ 1,000	\$ 2,668	\$ 2,620
Rents	5,351	5,351	5,351
Total Interest and Rents	\$ 6,351	\$ 8,019	\$ 7,971
<u>OTHER REVENUE</u>			
Refunds and Miscellaneous	\$ 6,300	\$ 310	\$ 2,643
Revolving	73,900	0	225
Total Other Revenue	\$ 80,200	\$ 310	\$ 2,868
TOTAL REVENUES	\$ 324,551	\$ 314,634	\$ 303,057

CITY OF MCBAIN, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>LEGISLATIVE</u>			
Mayor and City Council			
Salaries	\$ 7,000	\$ 3,350	\$ 6,000
Supplies	0	0	0
Dues	80	0	0
	<u>\$ 7,080</u>	<u>\$ 3,350</u>	<u>\$ 6,000</u>
<u>GENERAL GOVERNMENT</u>			
Supervisor			
Salaries	<u>\$ 7,000</u>	<u>\$ 6,896</u>	<u>\$ 6,617</u>
Elections			
Wages	\$ 1,500	\$ 1,665	\$ 0
Supplies	0	0	638
	<u>\$ 1,500</u>	<u>\$ 1,665</u>	<u>\$ 638</u>
Independent Auditing			
Independent Audit	<u>\$ 3,000</u>	<u>\$ 2,400</u>	<u>\$ 2,300</u>
Attorney			
Legal Fees	<u>\$ 6,000</u>	<u>\$ 531</u>	<u>\$ 2,417</u>
City Clerk's Office			
Salaries and Wages	\$ 9,000	\$ 9,196	\$ 7,796
Office Supplies	1,000	483	819
Printing and Publication	800	531	497
Miscellaneous	1,000	0	607
	<u>\$ 11,800</u>	<u>\$ 10,210</u>	<u>\$ 9,719</u>
Board of Review			
Salaries and Wages	<u>\$ 1,000</u>	<u>\$ 816</u>	<u>\$ 0</u>

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Treasurer's Office			
Salaries and Wages	\$ 6,400	\$ 7,414	\$ 8,884
Office Supplies	4,000	3,830	4,018
	<u>\$ 10,400</u>	<u>\$ 11,244</u>	<u>\$ 12,902</u>
 City Hall and Grounds			
Salaries and Wages	\$ 75,000	\$ 69,595	\$ 64,861
Repairs and Maintenance	25,000	25,491	25,534
Utilities	9,000	7,152	8,632
Telephone	1,700	992	1,503
Cemetery/Street Construction	10,000	0	0
Capital Outlay	10,000	0	1,064
	<u>\$ 130,700</u>	<u>\$ 103,230</u>	<u>\$ 101,594</u>
 Total General Government	<u>\$ 171,400</u>	<u>\$ 136,992</u>	<u>\$ 136,187</u>
 <u>PUBLIC SAFETY</u>			
Improvements	\$ 10,000	\$ 0	\$ 0
Drainage	5,000	0	0
	<u>\$ 15,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
 <u>PUBLIC WORKS</u>			
Department of Public Works			
Refuse Disposal	\$ 23,000	\$ 21,378	\$ 20,903
Street Lighting	16,000	15,296	12,367
Street Construction	15,000	0	0
Capital Outlay			
Sidewalks	10,000	0	8,325
Equipment	0	8,500	0
	<u>\$ 64,000</u>	<u>\$ 45,174</u>	<u>\$ 41,595</u>

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>PLANNING</u>			
Planning and Zoning Commission			
Contracted Services	\$ 6,840	\$ 7,940	\$ 6,840
Engineering	5,000	0	0
Miscellaneous	2,255	2,475	727
	<u>\$ 14,095</u>	<u>\$ 10,415</u>	<u>\$ 7,567</u>
<u>CULTURE AND RECREATION</u>			
Christmas Decorations	\$ 1,000	\$ 712	\$ 785
Parks	1,500	0	0
Trees and Flowers	3,100	3,318	4,161
	<u>\$ 5,600</u>	<u>\$ 4,030</u>	<u>\$ 4,946</u>
<u>OTHER FUNCTIONS</u>			
Miscellaneous	\$ 2,000	\$ 1,390	\$ 1,685
Revolving	73,900	0	0
Employee Benefits			
Social Security	9,000	8,979	7,892
Retirement	8,200	7,738	7,763
Health and Life Insurance	25,000	24,895	21,995
Unemployment	400	497	295
Uniforms	1,000	876	851
Insurance and Bonds	25,000	23,196	23,709
	<u>\$ 144,500</u>	<u>\$ 67,571</u>	<u>\$ 64,190</u>
TOTAL EXPENDITURES	<u>\$ 421,675</u>	<u>\$ 267,532</u>	<u>\$ 260,485</u>

CITY OF MCBAIN, MICHIGAN

MAJOR STREET FUND

COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash	\$ 27,799	\$ 63,321
Due from Other Funds	150	150
Due from Other Governments	7,948	7,610
	<hr/>	<hr/>
TOTAL ASSETS	\$ 35,897	\$ 71,081
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 463	\$ 0
Due to Other Funds	3,686	0
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 4,149	\$ 0
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Unreserved	31,748	71,081
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 35,897	\$ 71,081
	<hr/> <hr/>	<hr/> <hr/>



CITY OF MCBAIN, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
State Grants			
Act 51	\$ 35,000	\$ 52,746	\$ 46,591
Interest and Rents			
Interest	100	83	131
Other Revenue			
Miscellaneous	0	0	349
Total Revenues	\$ 35,100	\$ 52,829	\$ 47,071
<u>EXPENDITURES</u>			
Public Works			
Administration			
Salaries and Payroll Taxes	\$ 400	\$ 400	\$ 400
Audit Fees	650	650	650
Street Construction	15,000	43,316	0
Repair and Maintenance	15,000	14,350	6,423
Snow Removal and Ice Control	13,000	16,427	20,479
Traffic Services	600	971	2,120
Roadside Parks	2,500	2,183	1,277
Capital Outlay	2,500	2,245	2,245
Total Expenditures	\$ 49,650	\$ 80,542	\$ 33,594
Excess (Deficiency) of			
Revenues Over Expenditures	\$ (14,550)	\$ (27,713)	\$ 13,477

CITY OF MCBAIN, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out			
Local Street Fund	(10,000)	(11,620)	0
Net Change in Fund Balance	\$ (24,550)	\$ (39,333)	\$ 13,477
<u>FUND BALANCE</u> - Beginning of Year	53,982	71,081	57,604
<u>FUND BALANCE</u> - End of Year	\$ 29,432	\$ 31,748	\$ 71,081

CITY OF MCBAIN, MICHIGAN

LOCAL STREET FUND  
COMPARATIVE BALANCE SHEET

APRIL 30,

	2005	2004
<u>ASSETS</u>		
Cash	\$ 26,627	\$ 13,918
Due from Other Governments	2,903	2,550
TOTAL ASSETS	<u>\$ 29,530</u>	<u>\$ 16,468</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 8,261	\$ 6,348
Accounts Payable	463	45
TOTAL LIABILITIES	\$ 8,724	\$ 6,393
<u>FUND BALANCE</u>		
Unreserved	20,806	10,075
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 29,530</u>	<u>\$ 16,468</u>

CITY OF MCBAIN, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
State Grants			
Act 51	\$ 15,000	\$ 17,538	\$ 15,644
Interest and Rents			
Interest	50	26	66
Other Revenue			
Miscellaneous	0	0	349
Total Revenues	\$ 15,050	\$ 17,564	\$ 16,059
<u>EXPENDITURES</u>			
Public Works			
Administration			
Salaries and Payroll Taxes	\$ 400	\$ 400	\$ 400
Audit Fees	650	650	650
Street Construction	15,000	4,765	50,626
Repair and Maintenance	12,000	5,009	7,009
Snow Removal and Ice Control	10,000	9,839	9,610
Traffic Services	1,000	173	1,103
Total Expenditures	\$ 39,050	\$ 20,836	\$ 69,398
Excess (Deficiency) of			
Revenues Over Expenditures	\$ (24,000)	\$ (3,272)	\$ (53,339)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	\$ 15,000	\$ 2,383	\$ 25,313
Major Street Fund	10,000	11,620	0
Tax Increment Finance Authority	0	0	1,698
Total Other Financing Sources (Uses)	\$ 25,000	\$ 14,003	\$ 27,011
Net Change in Fund Balance	\$ 1,000	\$ 10,731	\$ (26,328)
<u>FUND BALANCE</u> - Beginning of Year	17,726	10,075	36,403
<u>FUND BALANCE</u> - End of Year	\$ 18,726	\$ 20,806	\$ 10,075

CITY OF MCBAIN, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF NET ASSETS

APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 115,572	\$ 111,105
Receivables		
Accounts	1,166	285
Total Current Assets	\$ 116,738	\$ 111,390
<u>NONCURRENT ASSETS</u>		
<u>CAPITAL ASSETS</u>		
Buildings	\$ 22,616	\$ 22,616
Machinery and Equipment	37,818	37,818
Water Wells and Distribution System	945,480	945,480
Less Accumulated Depreciation	(641,837)	(600,589)
Net Fixed Assets	\$ 364,077	\$ 405,325
TOTAL ASSETS	\$ 480,815	\$ 516,715
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 373	\$ 917
<u>NET ASSETS</u>		
Invested in Capital Assets	\$ 364,077	\$ 405,325
Unrestricted	116,365	110,473
TOTAL NET ASSETS	\$ 480,442	\$ 515,798

CITY OF MCBAIN, MICHIGAN

WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEARS ENDED APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 31,780	\$ 29,491
Turn On Fees	500	1,646
Total Operating Revenues	<u>\$ 32,280</u>	<u>\$ 31,137</u>
<u>OPERATING EXPENSES</u>		
Clerk's Salary	\$ 2,000	\$ 2,000
Office Supplies and Expense	265	305
Collection Fees	150	150
Audit Fees	700	725
Public Utilities	7,157	7,557
Repairs and Maintenance	16,458	16,257
Printing and Publication	626	0
Depreciation	41,248	42,400
Miscellaneous	242	180
Total Operating Expenses	<u>\$ 68,846</u>	<u>\$ 69,574</u>
Operating Income (Loss)	<u>\$ (36,566)</u>	<u>\$ (38,437)</u>
<u>NONOPERATING REVENUES AND (EXPENSES)</u>		
Interest Revenue	\$ 1,048	\$ 928
Wellhead Protection Grant	860	2,167
Miscellaneous Revenue	1,022	0
Wellhead Protection Expenses	(1,720)	(1,237)
Total Nonoperating Revenues and (Expenses)	<u>\$ 1,210</u>	<u>\$ 1,858</u>
Net Income (Loss)	<u>\$ (35,356)</u>	<u>\$ (36,579)</u>
Residual Equity Transfers In - General Fund	0	10,000
Increase (Decrease) in Net Assets	<u>\$ (35,356)</u>	<u>\$ (26,579)</u>
<u>TOTAL NET ASSETS - Beginning of Year</u>	<u>515,798</u>	<u>542,377</u>
<u>TOTAL NET ASSETS - End of Year</u>	<u><u>\$ 480,442</u></u>	<u><u>\$ 515,798</u></u>

CITY OF MCBAIN  
WATER FUND

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 30,897
Cash Payments to Suppliers for Goods and Services	(26,142)
Cash Payments to Employees for Services	(2,000)
Other Operating Revenue	<u>500</u>

Net Cash Provided by Operating Activities	<u>\$ 3,255</u>
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Cash Flows from Capital and Related Financing Activities:

Grant Proceeds	\$ (860)
Miscellaneous Revenue	<u>1,024</u>

Net Cash Provided (Used) for Capital and Related Financing Activities	<u>\$ 164</u>
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Cash Flows from Investing Activities:

Interest Received	<u>\$ 1,048</u>
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Net Cash Provided (Used) by Investing Activities	<u>\$ 1,048</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	\$ 4,467
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<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>111,105</u>
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<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 115,572</u></u>
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CITY OF MCBAIN  
WATER FUND

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2005

RECONCILIATION OF OPERATING INCOME  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ (36,566)</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation and Amortization	\$ 41,248
(Increase) Decrease in Current Assets	
Accounts Receivable	(883)
Increase (Decrease) in Current Liabilities	
Accounts Payable	<u>(544)</u>
Total Adjustments	<u>\$ 39,821</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 3,255</u></u>



CITY OF MCBAIN, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF NET ASSETS

APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 84,904	\$ 124,405
Receivables		
Taxes	0	929
Accounts	1,121	323
Due from Other Funds	0	608
Total Current Assets	\$ 86,025	\$ 126,265
<u>NONCURRENT ASSETS</u>		
<u>RESTRICTED ASSETS</u>		
Debt Retirement Account		
Cash	\$ 35,192	\$ 32,564
Property Assessments Receivable	5,128	5,531
Total Restricted Assets	\$ 40,320	\$ 38,095
<u>CAPITAL ASSETS</u>		
Land	\$ 88,703	\$ 88,703
Land Improvements	1,768,300	1,734,935
Buildings	67,921	67,921
Machinery and Equipment	117,130	117,130
Total Capital Assets	\$ 2,042,054	\$ 2,008,689
Less Accumulated Depreciation	(973,226)	(934,065)
Net Capital Assets	\$ 1,068,828	\$ 1,074,624
TOTAL ASSETS	\$ 1,195,173	\$ 1,238,984

CITY OF MCBAIN, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF NET ASSETS

APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</u>		
Accounts Payable	\$ 2,196	\$ 1,086
<u>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</u>		
Accrued Interest Payable	\$ 267	\$ 308
Due to General Fund	382	0
Current Portion of Long-Term Debt	11,000	10,000
Total Current Liabilities (Payable from Restricted Assets)	\$ 11,649	\$ 10,308
<u>LONG-TERM LIABILITIES</u>		
Bonds Payable	\$ 53,000	\$ 64,000
Total Liabilities	\$ 66,845	\$ 75,394
<u>NET ASSETS</u>		
Invested in Capital Assets	\$ 1,004,828	\$ 1,000,624
Restricted for Debt Service	40,053	37,787
Unrestricted	83,447	125,179
TOTAL NET ASSETS	\$ 1,128,328	\$ 1,163,590

CITY OF MCBAIN, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEARS ENDED APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 31,961	\$ 30,777
Miscellaneous	500	500
Total Operating Revenues	<u>\$ 32,461</u>	<u>\$ 31,277</u>
<u>OPERATING EXPENSES</u>		
Clerk's Salary	\$ 2,000	\$ 2,000
Salaries and Wages	6,000	6,000
Office Supplies and Expense	111	212
Audit Fees	800	775
Engineering	10,564	0
Insurance	285	0
Public Utilities	3,746	2,535
Repairs and Maintenance	15,312	12,743
Depreciation	39,161	38,883
Miscellaneous	18	34
Total Operating Expenses	<u>\$ 77,997</u>	<u>\$ 63,182</u>
Operating Income (Loss)	<u>(45,536)</u>	<u>(31,905)</u>
<u>NONOPERATING REVENUES AND (EXPENSES)</u>		
Current Property Tax Levy	\$ 10,425	\$ 10,395
Sale of Hay	1,743	3,803
Interest Revenue	1,764	1,768
Interest Expense	(3,658)	(4,158)
Total Nonoperating Revenues and (Expenses)	<u>\$ 10,274</u>	<u>\$ 11,808</u>
Net Income (Loss)	\$ (35,262)	\$ (20,097)
Residual Equity Transfers In - General Fund	0	10,000
Increase (Decrease) in Net Assets	<u>\$ (35,262)</u>	<u>\$ (10,097)</u>
<u>TOTAL NET ASSETS</u> - Beginning of Year	<u>1,163,590</u>	<u>1,173,687</u>
<u>TOTAL NET ASSETS</u> - End of Year	<u><u>\$ 1,128,328</u></u>	<u><u>\$ 1,163,590</u></u>

CITY OF MCBAIN, MICHIGAN  
SEWER FUND

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 33,082
Cash Payments to Suppliers for Goods and Services	(28,767)
Cash Payments to Employees for Services	(8,000)
Other Operating Revenue	500

Net Cash Provided (Used) by Operating Activities	\$ (3,185)
--	------------

Cash Flows from Capital and Related Financing Activities:

Acquisition and Construction of Capital Assets	\$ (34,365)
Principal Paid on Bonds	(10,000)
Interest Paid on Bonds	(3,658)
Sale of Hay	1,743
Property Taxes Collected	10,828

Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (35,452)
--	-------------

Cash Flows from Investing Activities:

Interest Received	\$ 1,764
-------------------	----------

Net Cash Provided (Used) by Investing Activities	\$ 1,764
--	----------

Net Increase (Decrease) in Cash and Cash Equivalents	\$ (36,873)
--	-------------

<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	156,969
--	---------

<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 120,096
--	------------

CITY OF MCBAIN, MICHIGAN  
SEWER FUND

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2005

RECONCILIATION OF OPERATING INCOME  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ (45,536)</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation and Amortization	\$ 39,161
(Increase) Decrease in Current Assets	
Accounts Receivable	131
Due from Other Funds	608
Increase (Decrease) in Current Liabilities	
Accounts Payable	2,069
Due to Other Funds	<u>382</u>
Total Adjustments	<u>\$ 42,351</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (3,185)</u></u>

CITY OF MCBAIN, MICHIGAN  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET  
APRIL 30, 2005

	CEMETERY FUND	FIRE FUND	LAND DEVELOPMENT FUND	CAPITAL OUTLAY EQUIPMENT FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 12,658	\$ (347)	\$ 67,754	\$ 12,246	\$ 92,311
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 150	\$ 6,717	\$ 0	\$ 0	\$ 6,867
Due to Other Funds	937	0	0	0	937
	\$ 1,087	\$ 6,717	\$ 0	\$ 0	\$ 7,804
<u>FUND BALANCE</u>					
Unreserved:					
Designated for:					
City Hall Equipment	\$ 0	\$ 0	\$ 0	\$ 12,246	\$ 12,246
Undesignated	11,571	(7,064)	67,754	0	72,261
Total Fund Balance (Deficit)	\$ 11,571	\$ (7,064)	\$ 67,754	\$ 12,246	\$ 84,507
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 12,658	\$ (347)	\$ 67,754	\$ 12,246	\$ 92,311

CITY OF MCBAIN, MICHIGAN  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED APRIL 30, 2005

	CEMETERY FUND	FIRE FUND	LAND DEVELOPMENT FUND	CAPITAL OUTLAY EQUIPMENT FUND	TOTALS
<u>REVENUES</u>					
Contributions from Local Units	\$ 0	\$ 115,616	\$ 0	\$ 0	\$ 115,616
Charges for Services	375	0	0	0	375
Interest and Rents	128	15	446	139	728
Other Revenue	538	7,614	0	0	8,152
Total Revenues	\$ 1,041	\$ 123,245	\$ 446	\$ 139	\$ 124,871
<u>EXPENDITURES</u>					
General Government	\$ 19,147	\$ 0	\$ 0	\$ 0	\$ 19,147
Public Safety	0	37,676	0	0	37,676
Economic Development and Assistance	0	0	250	0	250
Capital Outlay	0	57,124	0	20,536	77,660
Debt Service	0	50,503	0	0	50,503
Total Expenditures	\$ 19,147	\$ 145,303	\$ 250	\$ 20,536	\$ 185,236
Excess (Deficiency) of Revenues Over Expenditures	\$ (18,106)	\$ (22,058)	\$ 196	\$ (20,397)	\$ (60,365)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	\$ 10,000	\$ 11,000	\$ 0	\$ 10,000	\$ 31,000
Transfers Out	0	0	0	(3,000)	(3,000)
Total Other Financing Sources (Uses)	\$ 10,000	\$ 11,000	\$ 0	\$ 7,000	\$ 28,000
Net Change in Fund Balance	\$ (8,106)	\$ (11,058)	\$ 196	\$ (13,397)	\$ (32,365)
<u>FUND BALANCE</u> - Beginning of Year	19,677	3,994	67,558	25,643	116,872
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ 11,571	\$ (7,064)	\$ 67,754	\$ 12,246	\$ 84,507

CITY OF MCBAIN, MICHIGAN

CEMETERY FUND

COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash	\$ 12,658	\$ 19,727
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 150	\$ 50
Due to Other Funds	937	0
Total Liabilities	\$ 1,087	\$ 50
<u>FUND BALANCE</u>		
Unreserved	11,571	19,677
TOTAL LIABILITIES AND FUND BALANCE	\$ 12,658	\$ 19,727



CITY OF MCBAIN, MICHIGAN

CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Charges for Services			
Grave Openings	\$ 200	\$ 375	\$ 1,650
Interest and Rents			
Interest	100	128	225
Other Revenues			
Sale of Cemetery Lots	500	538	750
Miscellaneous	10,000	0	15
Total Revenues	\$ 10,800	\$ 1,041	\$ 2,640
<u>EXPENDITURES</u>			
General Government			
Salaries and Wages	\$ 500	\$ 500	\$ 500
Utilities	100	85	85
Audit Fees	250	250	250
Repairs and Maintenance	22,000	18,312	8,506
Miscellaneous	125	0	25
Total Expenditures	\$ 22,975	\$ 19,147	\$ 9,366
Excess (Deficiency) of			
Revenues Over Expenditures	\$ (12,175)	\$ (18,106)	\$ (6,726)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	10,000	10,000	0
Net Change in Fund Balance	\$ (2,175)	\$ (8,106)	\$ (6,726)
<u>FUND BALANCE</u> - Beginning of Year	23,966	19,677	26,403
<u>FUND BALANCE</u> - End of Year	\$ 21,791	\$ 11,571	\$ 19,677

CITY OF MCBAIN, MICHIGAN

FIRE FUND

COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash (Overdraft)	\$ (347)	\$ 4,825
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 6,717	\$ 831
<u>FUND BALANCE</u>		
Unreserved (Deficit)	(7,064)	3,994
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ (347)	\$ 4,825

CITY OF MCBAIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Contributions from Local Units			
Yearly Assessment	\$ 25,000	\$ 14,000	\$ 24,000
New Truck assessment	46,000	30,353	156,939
Missaukee County - Hazmat Truck	0	11,113	0
Tax Increment Finance Authority	0	60,150	0
Interest and Rents			
Interest	200	15	55
Rents	0	0	25
Other Revenues			
Donations	0	0	12,400
Refunds and Miscellaneous	5,626	7,614	37,662
Total Revenues	\$ 76,826	\$ 123,245	\$ 231,081

EXPENDITURES

Public Safety

Fire Protection

Chief's Salary	\$ 300	\$ 217	\$ 300
Treasurer's Salary	200	200	200
Quartermaster's Salary	110	108	100
Officers' Pay	190	163	150
Board Meetings	30	30	0
Worker's Compensation	1,150	1,139	1,131
Fire Runs and Meetings	3,900	3,866	4,732
Independent Audit	550	550	530
Legal	0	0	180
Communications	550	537	552
Gas and Oil	800	830	881
Fire Prevention	200	0	0
Foam	210	0	0
Lunches	375	276	468

CITY OF MCBAIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
Insurance	9,525	10,196	13,499
Supplies	300	2,382	1,183
Repairs and Maintenance	12,150	15,014	8,823
Education and Training	75	25	248
Health and Safety	500	500	292
Miscellaneous	195	1,643	44
Capital Outlay			
Fire Truck	46,000	46,000	275,815
Equipment	3,700	11,124	49,254
Debt Service			
Pumper Loan Principal	0	47,100	151,859
Pumper Loan Interest	0	3,403	5,080
Total Expenditures	\$ 81,010	\$ 145,303	\$ 515,321
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,184)	\$ (22,058)	\$ (284,240)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	\$ 0	\$ 8,000	\$ 8,000
Capital Outlay Equipment Fund	0	3,000	0
Loan Proceeds	0	0	275,815
Total Other Financing Sources	\$ 0	\$ 11,000	\$ 283,815
Net Change in Fund Balance	\$ (4,184)	\$ (11,058)	\$ (425)
<u>FUND BALANCE</u> - Beginning of Year	4,825	3,994	4,419
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ 641	\$ (7,064)	\$ 3,994

CITY OF MCBAIN, MICHIGAN

LAND DEVELOPMENT FUND

COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash	\$ 67,754	\$ 67,558
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved	67,754	67,558
TOTAL LIABILITIES AND FUND BALANCE	\$ 67,754	\$ 67,558

CITY OF MCBAIN, MICHIGAN

LAND DEVELOPMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Interest and Rents			
Interest	\$ 250	\$ 446	\$ 446
<u>EXPENDITURES</u>			
Economic Development			
Independent Audit	\$ 350	\$ 250	\$ 250
Capital Outlay	10,000	0	0
Total Expenditures	\$ 10,350	\$ 250	\$ 250
Excess (Deficiency) of Revenues Over Expenditures	\$ (10,100)	\$ 196	\$ 196
<u>FUND BALANCE</u> - Beginning of Year	41,644	67,558	67,362
<u>FUND BALANCE</u> - End of Year	\$ 31,544	\$ 67,754	\$ 67,558

CITY OF MCBAIN, MICHIGAN

CAPITAL OUTLAY EQUIPMENT FUND

COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash	\$ 12,246	\$ 25,643
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Designated for City Hall Equipment	12,246	25,643
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 12,246	 \$ 25,643

CITY OF MCBAIN, MICHIGAN

CAPITAL OUTLAY EQUIPMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Interest and Rents			
Interest	\$ 500	\$ 139	\$ 143
<u>EXPENDITURES</u>			
General Government			
Independent Audit	\$ 200	\$ 0	\$ 0
Capital Outlay	33,000	20,536	0
Equipment	10,000	0	0
Total Expenditures	\$ 43,200	\$ 20,536	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ (42,700)	\$ (20,397)	\$ 143
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)			
General Fund	\$ 10,000	\$ 10,000	\$ 10,000
Transfer to Fire Fund	0	(3,000)	0
Total Other Financing Sources (Uses)	\$ 10,000	\$ 7,000	\$ 10,000
Net Change in Fund Balance	\$ (32,700)	\$ (13,397)	\$ 10,143
<u>FUND BALANCE</u> - Beginning of Year	15,624	25,643	15,500
<u>FUND BALANCE</u> - End of Year	\$ (17,076)	\$ 12,246	\$ 25,643



CITY OF MCBAIN, MICHIGAN

TAX COLLECTION FUND

COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash	\$ 3,627	\$ 29,163
Due from Component Units		
Downtown Development Authority	0	763
	<u>0</u>	<u>763</u>
Total Liabilities	<u>\$ 3,627</u>	<u>\$ 29,926</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,589	\$ 32
Due to Other Governments	1,321	6,002
Due to Other Funds		
General Fund	717	4,358
Sewer Fund	0	608
Due to Component Units		
Tax Increment Finance Authority	0	18,926
	<u>0</u>	<u>18,926</u>
Total Liabilities	<u>\$ 3,627</u>	<u>\$ 29,926</u>

CITY OF MCBAIN, MICHIGAN

TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED APRIL 30, 2005

	BALANCE 5/1/2004	ADDITIONS	DELETIONS	BALANCE 4/30/2005
<u>ASSETS</u>				
Cash	\$ 29,163	\$ 1,037,507	\$ 1,063,043	\$ 3,627
Due from Other Governments	763	0	763	0
	<u>\$ 29,926</u>	<u>\$ 1,037,507</u>	<u>\$ 1,063,806</u>	<u>\$ 3,627</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 32	\$ 11,401	\$ 9,844	\$ 1,589
Due to Other Governments	6,002	658,833	663,514	1,321
Due to Other Funds	4,966	109,963	114,212	717
Due to Component Units	18,926	256,547	275,473	0
TOTAL LIABILITIES	<u>\$ 29,926</u>	<u>\$ 1,036,744</u>	<u>\$ 1,063,043</u>	<u>\$ 3,627</u>

CITY OF MCBAIN, MICHIGAN

COMPONENT UNITS  
COMBINING BALANCE SHEET

APRIL 30, 2005

WITH COMPARATIVE TOTALS FOR APRIL 30, 2004

	DOWNTOWN DEVELOPMENT AUTHORITY	TAX INCREMENT FINANCE AUTHORITY	TOTALS	
			2005	2004
<u>ASSETS AND OTHER DEBITS</u>				
<u>ASSETS</u>				
Cash	\$ 62,993	\$ 254,775	\$ 317,768	\$ 379,388
Receivables				
Property Taxes	508	14,568	15,076	28,000
Accrued Interest	0	0	0	30
Loans	90,511	801,835	892,346	757,668
Due from Other Funds	2,120	0	2,120	2,120
Due from Other Governments	37	0	37	18,963
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 156,169</u>	<u>\$1,071,178</u>	<u>\$1,227,347</u>	<u>\$ 1,186,169</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 2,120	\$ 2,120	\$ 2,120
Due to Other Governments	0	0	0	763
Deferred Revenue	91,019	816,403	907,422	776,291
Total Liabilities	<u>\$ 91,019</u>	<u>\$ 818,523</u>	<u>\$ 909,542</u>	<u>\$ 823,622</u>
<u>FUND BALANCE</u>				
Unreserved				
Designated for City Hall	\$ 0	\$ 0	\$ 0	\$ 71,900
Undesignated	65,150	252,655	317,805	335,095
Total Fund Balance	<u>\$ 65,150</u>	<u>\$ 252,655</u>	<u>\$ 317,805</u>	<u>\$ 406,995</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 156,169</u>	<u>\$1,071,178</u>	<u>\$1,227,347</u>	<u>\$ 1,186,169</u>

CITY OF MCBAIN, MICHIGAN

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE TOTALS FOR YEAR ENDED APRIL 30, 2004

	DOWNTOWN DEVELOPMENT AUTHORITY CONSTRUCTION FUND	TAX INCREMENT FINANCE AUTHORITY	TOTALS	
			2005	2004
<u>REVENUES</u>				
Taxes	\$ 39,393	\$ 222,673	\$ 262,066	\$ 287,352
Interest and Rents	1,827	35,257	37,084	2,104
Other Revenue	3,351	67,070	70,421	71,564
Total Revenues	\$ 44,571	\$ 325,000	\$ 369,571	\$ 361,020
<u>EXPENDITURES</u>				
Economic Development	\$ 115,211	\$ 331,075	\$ 446,286	\$ 490,496
Debt Service				
Principal	10,321	0	10,321	9,842
Interest	2,154	0	2,154	2,633
Total Expenditures	\$ 127,686	\$ 331,075	\$ 458,761	\$ 502,971
Excess (Deficiency) of Revenues Over Expenditures	\$ (83,115)	\$ (6,075)	\$ (89,190)	\$ (141,951)
<u>FUND BALANCE</u> - Beginning of Year	148,265	258,730	406,995	548,946
<u>FUND BALANCE</u> - End of Year	\$ 65,150	\$ 252,655	\$ 317,805	\$ 406,995

CITY OF MCBAIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY  
COMPARATIVE BALANCE SHEET

APRIL 30,

	2005	2004
<u>ASSETS</u>		
Cash	\$ 62,993	\$ 145,664
Receivables		
Property Taxes	508	2,223
Accrued Interest	0	8
Loans Receivable	90,511	0
Due from Tax Increment Finance Authority	2,120	2,120
Due from Other Governments	37	37
TOTAL ASSETS	<u>\$ 156,169</u>	<u>\$ 150,052</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Governments	\$ 0	\$ 763
Deferred Revenue		
Loans	90,511	0
Property Taxes	508	1,024
Total Liabilities	<u>\$ 91,019</u>	<u>\$ 1,787</u>
<u>FUND BALANCE</u>		
Unreserved		
Designated for New City Hall	\$ 0	\$ 71,900
Undesignated	65,150	76,365
Total Fund Balance	<u>\$ 65,150</u>	<u>\$ 148,265</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>156,169</u>	<u>150,052</u>

CITY OF MCBAIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes			
Current Property Tax Levy	\$ 43,000	\$ 38,865	\$ 41,638
Delinquent Property Taxes	2,320	528	64
Interest and Rents			
Interest Income	1,000	1,827	597
Loan Principal Collections	3,182	2,489	0
Other Revenue			
Miscellaneous	1,000	862	0
Total Revenues	\$ 50,502	\$ 44,571	\$ 42,299
<u>EXPENDITURES</u>			
Downtown Development Authority			
Secretary/Treasurer	\$ 2,347	\$ 2,347	\$ 2,133
Legal Fees	3,000	1,318	48
General Administration Expenses	1,000	0	0
Contracted Administration Services	6,840	6,840	6,840
Insurance	1,900	1,784	1,784
Audit	900	800	775
Maintenance	5,000	2,414	0
Sidewalks	10,000	0	0
Street Lighting	10,000	64	0
Parking	0	0	32,628
Business Development	16,000	5,696	9,940
Business Development Loans	83,000	93,000	0
City Hall/Museum	39,000	0	0
Miscellaneous	2,459	948	0
Debt Service			
Principal Payments	10,321	10,321	9,842
Interest Expense	2,154	2,154	2,633
Total Expenditures	\$ 193,921	\$ 127,686	\$ 66,623
Excess (Deficiency) of Revenues			
Over Expenditures	\$ (143,419)	\$ (83,115)	\$ (24,324)
<u>FUND BALANCE</u> - Beginning of Year	143,419	148,265	172,589
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 65,150	\$ 148,265

CITY OF MCBAIN, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY  
COMPARATIVE BALANCE SHEET

APRIL 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash	\$ 254,775	\$ 233,724
Receivables		
Property Taxes	14,568	25,777
Accrued Interest	0	22
Loans Receivable	801,835	757,668
Due from Other Governments	0	18,926
TOTAL ASSETS	<u>\$ 1,071,178</u>	<u>\$ 1,036,117</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Downtown Development Authority	\$ 2,120	\$ 2,120
Deferred Revenue		
Loans	801,835	757,668
Property Taxes	14,568	17,599
Total Liabilities	\$ 818,523	\$ 777,387
<u>FUND BALANCE</u>		
Unreserved	252,655	258,730
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,071,178</u>	<u>\$ 1,036,117</u>

CITY OF MCBAIN, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes			
Property Taxes	\$ 303,161	\$ 222,673	\$ 245,650
Interest and Rents			
Interest	3,500	35,257	1,507
Other Revenue			
Revolving Loan Payments	125,927	42,833	71,564
Miscellaneous	0	24,237	0
Total Revenues	\$ 432,588	\$ 325,000	\$ 318,721
<u>EXPENDITURES</u>			
Economic Development			
Salaries and Wages	\$ 4,694	\$ 4,694	\$ 4,267
General Administration Expenses	2,000	986	0
Contracted Administrative Services	54,720	54,720	54,720
Legal Fees	6,000	5,683	2,824
Independent Audit	1,000	850	825
TIFA Plan Amendment	20,000	0	0
Insurance	3,500	3,091	3,091
Taxes	17,000	15,945	12,889
Business Development	82,400	2,125	13,131
Revolving Loan Fund	70,000	70,000	143,265
Fire Truck Purchase	40,000	40,000	0
Fire Truck Payment	20,150	20,150	0
Industrial Park Maintenance	38,000	37,218	27,104
Property Tax Refunds	1,066	0	0
Public Improvements	58,000	31,904	168,933
Feasibility Study	35,000	34,530	0
City Hall	110,000	0	0
Equipment Purchase	50,000	8,500	2,806



CITY OF MCBAIN, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED APRIL 30, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
Incubator Building	50,000	0	0
Miscellaneous	1,932	679	2,493
Total Expenditures	\$ 665,462	\$ 331,075	\$ 436,348
Excess (Deficiency) of Revenues Over Expenditures	\$ (232,874)	\$ (6,075)	\$ (117,627)
<u>FUND BALANCE</u> - Beginning of Year	233,724	258,730	376,357
<u>FUND BALANCE</u> - End of Year	\$ 850	\$ 252,655	\$ 258,730

CITY OF MCBAIN, MICHIGAN  
MISSAUKEE COUNTY SANITARY SEWER COLLECTION, TREATMENT AND  
DISPOSAL SYSTEM (MCBAIN SYSTEM NO. 1) BONDS PAYABLE  
APRIL 30, 2005

TITLE OF ISSUE Missaukee County Sanitary Sewer Collection,  
Treatment and Disposal System (McBain System No. 1)  
Bonds.

DATE OF ISSUE December 18, 1978

PURPOSE To defray part of the cost of acquiring and constructing  
a sanitary sewer collection, treatment and disposal  
system to serve the City of McBain.

PAYMENT Principal and interest are payable solely from monies to  
be received by the County of Missaukee from the City  
of McBain, pursuant to a contract dated March 1, 1978.  
For the making of such payments, the City of McBain  
has pledged its full faith and credit.

AMOUNT OF ISSUE \$ 340,000

AMOUNT REDEEMED

Current Year	\$ 10,000	
Prior Years	266,000	276,000
<u>OUTSTANDING BALANCE</u> - April 30, 2005		\$ 64,000

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
October 1, 2005			\$ 1,600	\$ 1,600
April 1, 2006	5.000%	\$ 11,000	1,600	12,600
October 1, 2006			1,325	1,325
April 1, 2007	5.000%	11,000	1,325	12,325
October 1, 2007			1,050	1,050
April 1, 2008	5.000%	12,000	1,050	13,050
October 1, 2008			750	750
April 1, 2009	5.000%	12,000	750	12,750
October 1, 2009			450	450
April 1, 2010	5.000%	13,000	450	13,450
October 1, 2010			125	125
April 1, 2011	5.000%	5,000	125	5,125
		\$ 64,000	\$ 10,600	\$ 74,600

CITY OF MCBAIN, MICHIGAN

STATEMENT OF 2004 TAX ROLL

APRIL 30, 2005

	TAXABLE VALUATION	MILLS LEVIED	TAXES ASSESSED	LESS TAXES CAPTURED BY TIFA	LESS TAXES CAPTURED BY DDA	ADJUSTED LEVY	TAXES RETURNED DELINQUENT	TAXES COLLECTED
Missaukee County								
Operating	\$ 20,410,447	4.5572	\$ 93,014	\$ (48,977)	\$ (9,298)	\$ 34,739	\$ 2,920	\$ 31,819
Emergency Services	20,410,447	1.7017	34,731	(18,288)	(3,472)	12,971	1,090	11,881
Commission on Aging	20,410,447	0.4941	10,083	(5,310)	(1,008)	3,765	316	3,449
Library	20,410,447	0.2382	4,861	(2,560)	(486)	1,815	153	1,662
McBain Rural Agricultural School								
Operating	15,733,949	17.8524	280,889	0	0	280,889	17,384	263,505
Debt Retirement	20,410,447	5.4000	110,216	0	0	110,216	7,009	103,207
State Education Tax	20,410,447	5.0000	102,052	0	0	102,052	3,143	98,909
Wexford-Missaukee Intermediate								
School District	20,410,447	6.0003	122,468	0	0	122,468	7,788	114,680
City of McBain								
General Fund	20,410,447	12.4517	254,142	(133,820)	(25,404)	94,918	7,977	86,941
Sewer	15,376,647	1.5000	23,065	(10,116)	(2,554)	10,395	930	9,465
Tax Increment Finance Authority			0	219,071	0	219,071	11,591	207,480
Downtown Development Authority			0	0	42,222	42,222	1,783	40,439
Administration Fees			10,436	0	0	10,436	620	9,816
			\$ 1,045,957	\$ 0	\$ 0	\$ 1,045,957	\$ 62,704	\$ 983,253

CITY OF MCBAIN, MICHIGAN

STATEMENT OF 2004 INDUSTRIAL FACILITIES TAX ROLL  
APRIL 30, 2005

	TAXABLE VALUATION	MILLS LEVIED	TAXES ASSESSED	LESS TAXES CAPTURED BY TIFA	ADJUSTED LEVY	TAXES RETURNED DELINQUENT	TAXES COLLECTED
Missaukee County							
Operating	\$ 3,638,400	2.2786	\$ 8,290	\$ (8,290)	\$ 0	\$ 0	\$ 0
Emergency Services	3,638,400	0.8509	3,096	(3,096)	0	0	0
Commission on Aging	3,638,400	0.2471	895	(895)	0	0	0
Library	3,638,400	0.1191	433	(433)	0	0	0
McBain Rural Agricultural School							
Operating (State Share)	3,638,400	8.9262	32,477	0	32,477	5,347	27,130
Debt Retirement	3,638,400	2.7000	9,824	0	9,824	1,617	8,207
State Education Tax	3,638,400	5.0000	18,192	0	18,192	433	17,759
Wexford-Missaukee Intermediate School District (State Share)	3,638,400	3.0002	10,916	0	10,916	1,797	9,119
City of McBain							
General Fund	3,638,400	6.2259	22,652	(22,652)	0	0	0
Sewer	800,900	0.7500	601	(601)	0	0	0
Tax Increment Finance Authority			0	35,967	35,967	5,975	29,992
Administration Fees			1,074	0	1,074	152	922
			\$ 108,450	\$ 0	\$ 108,450	\$ 15,321	\$ 93,129

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

May 27, 2005

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL**  
**OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS**  
**PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Council  
City of McBain  
McBain, Michigan

We have audited the financial statements of the City of McBain, Michigan, as of and for the year ended April 30, 2005, and have issued our report thereon dated May 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of McBain's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of McBain's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of McBain's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Letter of Reportable Conditions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described in the accompanying letter of reportable conditions is a material weakness.

This report is intended for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C*

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2005

LETTER OF REPORTABLE CONDITIONS

To the Mayor and City Council  
City of McBain, Michigan

In planning and performing our audit of the financial statements of the City of McBain, Michigan for the year ended April 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the City make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Council and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*